

1 SETH ARONSON (S.B. #100153)  
saronson@omm.com  
2 CAROLYN KUBOTA (S.B. #113660)  
ckubota@omm.com  
3 TAMAR BRAZ (S.B. #264080)  
tbraz@omm.com  
4 O'MELVENY & MYERS LLP  
400 South Hope Street  
5 Los Angeles, CA 90071-2899  
Telephone: (213) 430-6000  
6 Facsimile: (213) 430-6407

7 Attorneys for Defendant  
THOMAS C. TEKULVE, JR.  
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9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**  
11 **WESTERN DIVISION**

12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 v.

16 PETER L. JENSEN AND THOMAS  
17 C. TEKULVE, JR.,

18 Defendants.  
19

Case No. CV 11-05316R (AGRx)

**DECLARATION OF THOMAS C.  
TEKULVE, JR. IN SUPPORT OF  
MOTION FOR PARTIAL SUMMARY  
JUDGMENT**

Date: September 4, 2012  
Time: 10:00 a.m.  
Courtroom: 8  
Judge: Hon. Manuel L.  
Real

1 I, Thomas C. Tekulve, Jr., hereby state and declare as follows:

2 1. I am a defendant in this case. I have personal knowledge of the  
3 matters set forth herein, and if called upon to testify, I could and would testify  
4 competently thereto.

5 2. I was hired as the Chief Financial Officer for Basin Water, Inc.  
6 (“Basin”) in September 2004. At the time I was hired, Basin’s management already  
7 planned to take the company public in the near future.

8 3. At Basin, I reported directly to Peter L. Jensen who was the company’s  
9 Chief Executive Officer at the time I was hired. After Michael Stark was hired as  
10 the Chief Operating Officer in late 2006, I also reported to Mr. Stark. Mr. Jensen  
11 left most of the day-to-day management of Basin to Mr. Stark.

12 4. Prior to joining Basin, I was the Vice President of Finance for  
13 Southwest Water, Inc. My salary at Basin was lower than the salary I had been  
14 earning at Southwest Water, Inc. I agreed to this because I believed that Basin’s  
15 innovative water purification technologies were going to be very successful as the  
16 company grew and that the Basin stock options and stock grants I was receiving as  
17 additional compensation would increase in value over time. As a result, while I  
18 was employed at Basin, I did not sell any of the Basin stock I had been granted as  
19 compensation, nor did I ever exercise any of my stock options.

20 5. In 2005, I recommended to Basin’s Audit Committee that they retain  
21 Singer Lewak Greenbaum & Goldstein LLP (“Singer”) as Basin’s independent  
22 auditor in part because Gail Moore, Singer’s audit partner, indicated her willingness  
23 to act as a sounding board if the finance department had accounting questions.

24 6. In 2007, I worked with Charlie Litt to arrange third-party financing  
25 transactions involving CCH Netherlands and National City Energy. Litt advised  
26 me that institutions preferred to facilitate deals of that kind by using special purpose  
27 entities. Accordingly, VL Capital, LLC and Water Services Solutions LLC were  
28 created to facilitate these transactions.

1           7.     During the summer of 2007, Basin's senior management, its Board of  
2 Directors, and our outside auditors all closely examined the transaction that Charlie  
3 Litt and I had put together with VL Capital, LLC and CCH Netherlands.  
4 Accordingly, I believed that we had been given the green light to proceed with  
5 additional transactions modeled on this deal and sought to insure that subsequent  
6 third-party financing deals were structured in a similar fashion, whether for  
7 installed units or for units to be constructed for the customer.

8           8.     In 2007, Basin's Board of Directors hired an outside compensation  
9 analyst to review the company's compensation programs. Among other  
10 conclusions, the analyst determined that the salaries for Peter Jensen and I were  
11 below market rates for our respective positions. As a result, the board increased my  
12 annual salary in 2007 to be closer to the market rate for my position.

13           9.     While I was employed at Basin, I received only two cash bonuses: a  
14 \$100,000 bonus for my work preparing the company's initial private offering and a  
15 \$50,000 year-end bonus at the end of 2007. Neither of these bonuses were tied to  
16 Basin's revenues or stock performance.

17           10.    In 2009, following my departure from Basin and the company's public  
18 restatement of its prior financial statements, I sold the Basin stock I had been  
19 granted as compensation for roughly \$1,200.

20           11.    On December 20, 2005, I attended a Board of Directors meeting  
21 during which the Board of Directors discussed and approved the terms of the Opus  
22 Trust transaction.

23           12.    Attached as Exhibit 1 is a true and correct copy of a February 16,  
24 2006, email from Mr. Jensen to myself, Les Devitt, and Mr. Kelly.

25           13.    Attached as Exhibit 2 is a true and correct copy of an email that I  
26 received from Mr. Stark, dated April 17, 2007.

27           14.    Attached as Exhibit 3 is a June 25, 2007, email that I received from  
28 Mr. Litt, copying Mr. Stark.

1           15. Attached as Exhibit 4 is a true and correct copy of a March 25, 2007,  
2 email that I sent to Mr. Litt, attaching a "City of Avondale, Arizona Notice of  
3 Request for Proposal."

4           16. Attached as Exhibit 5 is a true and correct copy of a December 20,  
5 2004, letter that I received from Linda M. Farris.

6           17. Attached as Exhibit 6 is a true and correct copy of a March 25, 2007,  
7 email that I sent to Mr. Litt, attaching a Water Services Agreement between Basin  
8 and California Water Service Company ("Cal Water") for Well 06-01.

9           18. Attached as Exhibit 7 is a true and correct copy of a March 25, 2007,  
10 email that I sent to Mr. Litt, attaching a Water Services Agreement between Basin  
11 and Cal Water for Well 20-01.

12           19. Attached as Exhibit 8 is a true and correct copy of a March 25, 2007,  
13 e-mail that I sent to Charles Litt, attaching the Cal Water Well 21-01 Water  
14 Services Agreement.

15           20. Attached as Exhibit 9 is an August 6, 2007 e-mail from Charles Litt to  
16 Div Gupta and Scott Hamilton attaching a true and correct copy of the Cal Water  
17 28-01 Water Services Agreement.

18           21. Attached as Exhibit 10 is a true and correct copy of a March 25, 2007  
19 e-mail that I sent to Charles Litt, attaching the Mesa Falcon Field 15 Water Services  
20 Agreement.

21           22. Attached as Exhibit 11 is a true and correct copy of a March 25, 2007  
22 e-mail that I sent to Charles Litt, attaching the Mission Springs Water Services  
23 Agreement.

24           23. Attached as Exhibit 12 is a true and correct copy of a March 25, 2007  
25 e-mail that I sent to Charles Litt attaching the Modesto 100 Water Services  
26 Agreement.

27           24. Attached as Exhibit 13 is a true and correct copy of the Modesto  
28 Grayson Wells Water Services Agreement.

1           25. Attached as Exhibit 14 is a true and correct copy of a December 30,  
2 2007 e-mail that I sent to Charles Litt attaching the first seven pages of the Cal  
3 Water 65 agreement.

4           26. Attached as Exhibit 15 is a true and correct copy of my employment  
5 agreement with Basin Water, Inc.

6           27. Attached as Exhibit 16 is a true and correct copy of the April 7, 2006  
7 Minutes of the Meeting of the Compensation Committee of the Board of Directors  
8 of Basin Water, Inc., which I attended.

9  
10 I declare under penalty of perjury that the foregoing is true and correct.

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12 Executed on August 7, 2012, at Lake Forest, California.

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15 Thomas C. Tekulve, Jr.  
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